

## Real Estate Examination Program National Examination Content Outline

	<u>Number of Questions</u>	
	<u>Broker</u>	<u>Sales Associate</u>
1. Listing Property	17	22
2. Selling Property	16	20
3. Property Management	13	9
4. Settlement/Transfer of Ownership	15	13
5. Financing	18	21
6. Professional Responsibilities/ Fair Practice/Administration	21	15

## Detailed Content Outline

*Topics in italics appear on the Broker Examination only*

### 1. LISTING PROPERTY

#### A. Listing

- hidden defects
- listing agreement, signatures by all parties holding title
- tax assessment and tax rate
- deed restrictions and covenants
- legal description
- lot size
- physical dimensions of structure
- appurtenances (for example, easements and water rights)
- utilities
- type of construction
- encumbrances (for example, liens and restrictions)
- compliance with health and safety laws (for example, building codes and lead based paint disclosure)
- ownership of record
- homeowner's association bylaws and fees
- brokerage fee

#### B. Assessment of Property Value

- location
- anticipated changes (for example, zoning and use)
- depreciation
- deterioration
- obsolescence
- improvements
- economic trends

#### C. Property Valuation

- comparative market analysis using the sales comparison approach
- property valuation using the income approach
- appraisal terms (for example, replacement costs and gross rent multiplier)
- appropriate listing price recommendations for the seller

#### D. Nature of Real Property

- property subdivision and selling of parcels
- real and personal property included in, or excluded from, the sale (for example, land, minerals, water, crops, and fixtures)
- differences between personal property and real property

- forms of ownership interests in real estate, and issues related to conveyance of real property (for example, tenancy and partnership)
- methods of land description (for example, government survey, recorded maps and instruments, "metes and bounds," and lot division)
- interests in real property (for example, fee simple, leasehold, and life estate)
- planning and zoning (for example, variance, zoning changes, and special study zones such as flood and geological hazards)

### E. Services Provided in the Brokerage Relationship with the Seller

- net proceed estimation
- types of listing agreements, documents provided to the seller
- safeguarding property (for example, lockbox)
- property marketing (advertise and show)

### 2. SELLING PROPERTY

#### A. Contracts and Offers

- sales contract (purchase agreement) forms and provisions (for example, options, remedies, contingencies, financing provisions, earnest money, property description, capacity to contract, signing the contract, and rescinding a contract)
- offers and counteroffers (for example, handling multiple offers, presenting offers, and right of first refusal)

#### B. Characteristics of Real Property

- rights of ownership
- right of property subdivision
- planning and zoning (for example, variance, zoning changes, and special study zones such as flood and geological hazards)
- material facts (for example, taxes, zoning, building codes, and other land use restrictions)
- physical condition of property (for example, defects and environmental hazards)
- other required disclosures (for example, by contract between parties or by law)

#### C. Advising Buyers of Outside Services

- home protection plans (warranty)
- insurance (for example, fire, hazard, liability)
- inspection reports (for example, structural, pest, well, septic, soil, environmental)
- surveys

#### D. Services Provided to the Buyer

- information needed to determine prospective buyer's price range and eligibility for financing
- preview and choose property to show buyer
- current market conditions
- show properties

### 3. PROPERTY MANAGEMENT

#### A. Services to Landlords

- marketing property
- evaluating rental market
- obtaining tenants
- screening applicants according to appropriate laws and regulations
- responding to tenant complaints

6. income, expenses, and rate of return for property
7. fees, security deposits, and rent collection
8. negotiating property management agreements
9. environmental and safety hazards
10. *operating budgets*
11. *trust accounts*
12. *owners' financial statements*

#### **B. Services to Tenants**

1. lease agreements used in property management
2. rental and lease agreements (including options)
3. material facts
4. show property to prospective tenants
5. occupancy terms
6. proration of rents and leases

### **4. SETTLEMENT/TRANSFER OF OWNERSHIP**

#### **A. Tax Issues**

1. real property taxation (for example, ad valorem and special assessments)
2. tax terminology (for example, capital gains, tax basis, *1031 tax deferred exchanges*)

#### **B. Titles**

1. title search
2. title insurance (for example, owner's, seller's, and mortgagee's)
3. title problems
4. legal procedures (for example, quiet title, foreclosure, bankruptcy, judgments)
5. liens and order of priority (for example, mortgages, trust deeds, construction/mechanics liens, judgments by court)
6. legal proceedings against property (for example, attachments and notice of pending legal action)

#### **C. Settlement Procedures**

1. purposes and procedures of settlement
2. Real Estate Settlement Procedures Act (RESPA)
3. closing statements (for example, calculate amount owed by buyer, calculate net to seller)
4. obligations of settlement agent
5. calculations regarding proration/prepayment
6. warranties associated with deeds (for example, warranty, quitclaim deeds)
7. settlement statement (HUD-1)
8. other settlement documents (for example, deed, bill of sale, note, deed of trust)
9. transfer tax
10. negotiations between buyers and sellers leading to agreement

#### **D. Characteristics of Real Property**

1. ways of holding and conveying title, and characteristics of the different approaches to tenancy (for example, joint tenancy, tenancy in common, tenancy by entirety, severalty)
2. rights of home ownership (for example, homestead)
3. rights of others related to property (for example, adverse possession, adjoining owners, encroachments)
4. nature and types of common interest ownership (for example, condominiums, planned unit development, cooperatives, townhouses, time-share)
5. eminent domain proceedings (for example, condemnation)

### **5. FINANCING**

#### **A. Sources of Financing**

1. institutional (for example, banks, mortgage brokers, mortgage companies, insurance companies)
2. seller financing (for example, land contract and purchase money mortgage)

3. assumption of existing financing
4. other sources of financing

#### **B. Types of Loans**

1. security for loans (for example, trust deeds, land contracts, mortgages)
2. repayment methods (for example, adjustable rate mortgage, fully/partially/nonamortized)
3. forms of financing (for example, FHA, VA, Rural Housing Service loans of the USDA, conventional loan)
4. secondary mortgage markets (for example, FNMA, FHLMC, GNMA)
5. other types of mortgage loans (for example, wraparound, blanket, package)

#### **C. Terms and Conditions**

1. loan application requirements
2. loan origination costs (for example, appraisal fee, credit reports, points)
3. lender requirements (for example, property insurance, escrows, deposits, underwriting criteria)
4. conditional approval
5. provisions of federal regulations (for example, Truth-in-Lending Act, Equal Credit Opportunity Act)

#### **D. Common Clauses and Terms in Mortgage Instruments**

1. prepayment
2. interest rates (for example, fixed rates, adjustable rates)
3. release
4. due-on-sale
5. subordination
6. escalation
7. acceleration
8. default
9. foreclosure and redemption rights
10. nonrecourse provision
11. rescission

### **6. PROFESSIONAL RESPONSIBILITIES/FAIR PRACTICE/ADMINISTRATION**

#### **A. Professional Responsibilities and Fair Practice**

1. brokerage relationships
  - a. listing
  - b. selling (for example, buyer brokerage, canceling a contract)
  - c. property management (for example, landlords, tenants)
2. laws and rules
  - a. Americans with Disabilities Act
  - b. Federal Fair Housing (Civil Rights) laws and rules
  - c. IRS Form 8300 cash payment reporting requirement
3. resolving misunderstandings among parties to real estate transactions
4. need to seek expert advice (for example, tax, legal, appraisal)

#### **B. Administration**

1. terms of contract between salesperson(s) and broker (for example, employee, independent contractor)
2. complete and accurate records of all business transactions
3. company policies, procedures, and standards
4. calculating commissions for real estate transactions
5. *notifications and reports required by the real estate regulatory agency*
6. *trust accounts*
7. *supervising and educating sales force*
8. *accounting procedures for the office*